

Item 18

Information Item

Discussion and comparison of Pell Grant and Cal Grant Programs

In response to questions by commissioners at their September meeting, this agenda item explores the fundamental differences and similarities between the state-funded Cal Grant Program and the Federal Pell Grant program.

Federal Pell Grant Program

The Federal Pell Grant program is the largest need-based grant program in the United States, providing financial aid to more than nine million students in excess of \$30 billion a year. It was established in 1972 during the reauthorization of the Higher Education Act (HEA), and was originally called the Basic Education Opportunity Grant Program. Senator Claiborne Pell from Rhode Island played a vital role in the initiation of the HEA to create a stable financial aid program for undergraduate students. The Basic Education Opportunity Grant Program was renamed to the Pell grant in 1980 after the senator.

The US Department of Education Website describes the program as follows:

The Federal Pell Grant Program provides need-based grants to low-income undergraduate and certain postbaccalaureate students to promote access to postsecondary education. Students may use their grants at any one of approximately 5,400 participating postsecondary institutions. Grant amounts are dependent on: the student's expected family contribution (EFC); the cost of attendance (as determined by the institution); the student's enrollment status (full-time or part-time); and whether the student attends for a full academic year or less.

Students may not receive Federal Pell Grant funds from more than one school at a time.

Financial need is determined by the U.S. Department of Education using a standard formula, established by Congress, to evaluate the financial information reported on the Free Application for Federal Student Aid (FAFSA) and to determine the family EFC. The fundamental elements in this standard formula are the student's income (and assets if the student is independent), the parents' income and assets (if the student is dependent), the family's household size, and the number of family members (excluding parents) attending postsecondary institutions. The EFC is the sum of: (1) a percentage of net income (remaining income after subtracting allowances for basic living expenses and taxes) and (2) a percentage of net assets (assets remaining after subtracting an asset protection allowance). Different assessment rates and allowances are used for dependent students, independent students without dependents, and independent students with dependents. After filing a FAFSA, the student receives a Student Aid Report (SAR), or the institution receives an Institutional Student Information Record (ISIR), which notifies the student if he or she is eligible for a Federal Pell Grant and provides the student's EFC.

California Student Aid Commission

Federal Pell Grants are direct grants awarded through participating institutions to students with financial need who have not received their first bachelor's degree or who are enrolled in certain postbaccalaureate programs that lead to teacher certification or licensure. Participating institutions either credit the Federal Pell Grant funds to the student's school account, pay the student directly (usually by check) or combine these methods. Students must be paid at least once per term (semester, trimester, or quarter); schools that do not use formally defined terms must pay the student at least twice per academic year.

State Cal Grant Program

The Cal Grant Program is the largest need-based state grant program in the United States, providing nearly \$1.7 billion in financial aid to nearly 300,000 recipients in 2013-14. The Cal Grant Program consists of the following components: High School Entitlement Cal Grant A and B awards, California Community College Transfer Entitlement Cal Grant A and B awards, Competitive Cal Grant A and B awards, and Cal Grant C and T awards.

Cal Grant A awards provide for full system-wide tuition and required system-wide fees at the California State University and the University of California, and tuition support at qualifying independent California colleges and universities and private career colleges, to eligible low-income students. Cal Grant B awards provide an additional access award to eligible low-income students, to pay for living expenses, transportation costs, supplies and books.

Comparing the two programs

The chart below compares the Pell Grant awards and Cal Grant awards for the 2013-14 academic year by segment.

Pell Grant and Cal Grant Award Comparison

	Pell Grant Student Count ¹	Pell Grant dollars ¹	Cal Grant Student Count ²	Cal Grant dollars ²
Community College	498,402	\$1.67 billion	92,283	\$101 million
University of California	81,821	\$365 million	65,521	\$778 million
California State University	198,581	\$847 million	103,385	\$518 million
Independent Colleges	49,291	\$207 million	27,133	\$236 million
Total	828,095	\$3.1 billion	288,322	\$1.6 billion

1. Based on 2013-14 reported values by the segment offices
2. CSAC data for 2013-14

The chart below provides a side-by-side comparison of the requirements for the two grant programs:

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	Pell Grant	Cal Grant
Application & Deadline	Free Application for Federal Student Aid (FAFSA) Application Period: January – June of following year (18 months)	FAFSA or CA Dream Act & Grade Point Average Application Period: January 1 – March 2
General eligibility	<ul style="list-style-type: none"> • Be an undergraduate student, but not required to have applied within one or two academic years following high school graduation • Have earned a high school diploma or a GED • Be a U.S. citizen or an eligible noncitizen* • Not incarcerated • Not in default on student loan/Pell overpayment • Meet selective service requirements 	<ul style="list-style-type: none"> • Same as Pell, for High School Entitlement awards, must have applied within one or two academic years following high school graduation • HS Entitlement • California Resident* <p>*These requirements are supplanted by other eligibility criteria for AB 540 Dream Act students</p>
Eligibility period	Up to six years (full-time)	Up to four years (full-time)
Merit requirement	None	<ul style="list-style-type: none"> • 3.00 GPA for Cal Grant A • 2.00 GPA for Cal Grant B • No GPA requirement for Cal C
Financial requirement	Based on student's computed Expected Family Contribution (EFC). Maximum EFC to receive a Pell offer - \$5,198	Income and asset ceilings depending on HH size. Students with higher EFC than Pell still eligible as long as minimum need met.
Award amounts	<ul style="list-style-type: none"> • Dependent on EFC (sliding scale) • Lower the EFC, higher the award • Zero EFC: \$5,775 (max award) • \$5,198 max EFC: \$626 (min award) 	<ul style="list-style-type: none"> • Based on school of attendance • Cal A – up to \$12,240 tuition/fees • Cal B - \$1,656 access for 1st year (no tuition), plus tuition of up to \$12,240 from 2nd year on
Payment / disbursement eligibility	<ul style="list-style-type: none"> • Amount of Pell depends on FT, ¾, HT and less than HT enrollment • Eligible for payment for less than half-time 	<ul style="list-style-type: none"> • Cal A & B tuition component not to exceed actual tuition charges • Access payment depends on FT, ¾ and HT enrollment • Not eligible for payment for less than half-time
Award usage	Used to pay any educational expenses to either the student or school	<ul style="list-style-type: none"> • Cal A, B tuition component can be used only to pay for tuition charges • Cal B access for book & supplies, living expenses • Cal C books & supplies
Award Notification	<ul style="list-style-type: none"> • Preliminary message on Student Aid Report (SAR) • Award notifications from institution 	<ul style="list-style-type: none"> • California Aid Report (CAR) via email or paper • Award notifications from institution
School disbursement	<ul style="list-style-type: none"> • Request funds through the Education Central Automated Processing System (EDCAPS) using the G5 module. Funds are sent via EFT. 	<ul style="list-style-type: none"> • Term advance – before term • Supplemental – additional payments request via EFT
School Administrative Allowance	\$5 per Pell recipient	No allowance

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The reasons for the differences in the numbers of Pell Grant recipients and Cal Grant recipients may include Pell not having a March 2nd deadline, not requiring a GPA, paying for less than half-time status and allowing two additional years of eligibility.

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